

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Richland Township	County Missaukee
Audit Date 3/31/06	Opinion Date 6/19/06	Date Accountant Report Submitted to State: 7/24/2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 7/19/06

RICHLAND TOWNSHIP, MISSAUKEE COUNTY

MCBAIN, MICHIGAN

MARCH 31, 2006

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MARCH 31, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-ix
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In	
Fund Balances to the Statement of Activities	6
Fiduciary Fund	
Statement of Fiduciary Assets and Liabilities	7
Notes to Financial Statements	8-17
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	18
Individual Fund Financial Statements	
Agency Fund	
<u>Current Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	19
Other Information	
Statement of 2005 Tax Roll	20
Letter of Comments and Recommendations	21-22
Letter of Reportable Conditions	23-24

134 WEST HARRIS STREET
MCBAIN, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER., C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 19, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Richland Township
Missaukee County
McBain, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richland Township, Missaukee County, McBain, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Richland Township, Missaukee County, McBain, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Richland Township, Missaukee County, McBain, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Richland Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Richland Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$507,836. Of this amount, \$319,780 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$352,223. About 90.8% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Richland Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$507,836 at March 31, 2006, meaning the Township’s assets were greater than its liabilities by this amount.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Richland Township
Net Assets as of March 31, 2006

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 366,144
Non Current Assets	
Capital Assets	234,201
Less: Accumulated Depreciation	<u>78,588</u>
Total Non Current Assets	<u>155,613</u>
Total Assets	<u><u>\$ 521,757</u></u>
Liabilities	
Current Liabilities	<u>\$ 13,921</u>
Net Assets	
Invested in Capital Assets	155,613
Restricted for Specific Purposes	32,443
Unrestricted	<u>319,780</u>
Total Net Assets	<u><u>507,836</u></u>
Total Liabilities and Net Assets	<u><u>\$ 521,757</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$319,780 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$110,883 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Richland Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2006

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 3,926
Operating Grants and Contributions	3,363
Capital Grants and Contributions	2,829
General Revenues	
Taxes	89,513
State Grants	99,683
Interest Earnings	796
Other	<u>809</u>
Total Revenues	<u>200,919</u>
<u>Expenses</u>	
Legislative	7,358
General Government	43,954
Public Safety	15,000
Public Works	11,997
Recreation and Cultural	6,104
Other Functions	<u>5,623</u>
Total Expenses	<u>90,036</u>
Change in Net Assets	110,883
NET ASSETS - Beginning of Year	<u>396,953</u>
NET ASSETS - End of Year	<u><u>\$ 507,836</u></u>

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$110,883. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

A significant portion of the revenue for all governmental activities of Richland Township comes from taxes. The Township levied 1.4823 mills for operating purposes and 0.9689 mills for road improvement.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general governmental expenses that total 48.8% of total expenses. The Township spent \$43,954 in fiscal year 2006 on General Government expenses. Public Safety represented the next largest expense at \$15,000, or 16.7% of total expenses.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Richland Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Richland Township's governmental funds reported combined ending fund balances of \$352,223. Approximately 90.8% or \$319,780 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road improvements must be used for expenditures that relate to road improvements.

General Fund – The General Fund increased its fund balance by \$81,466 which brings the fund balance to \$322,030. Of the total fund balance, \$2,250 is reserved for Telecommunications Right-of-Way maintenance. The remaining \$319,780 is unreserved. All of the General Fund's functions, except for the Legislative, and Public Safety ended the year with expenditures below budgeted amounts. The Legislative and Public Safety differential was funded by available fund balance. Taxes amounted to \$53,711. State shared revenues were collected in the amount of \$99,683.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Road Fund – The Road Fund increased its fund balance by \$30,488 which brings the fund balance to \$30,193. This balance is reserved and must be used for road improvements. Taxes collected amounted to \$35,106.

Proprietary Fund – The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$155,613 net of accumulated depreciation. The Township invested \$7,622 in capital assets for the current fiscal year.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Richland Township
Capital Assets as of March 31, 2006

	Governmental Activities
Land	\$ 12,720
Land Improvements	27,641
Buildings	54,653
Building Improvements	10,388
Infrastructure	122,299
Equipment	6,500
	<hr/> 234,201
Less Accumulated Depreciation	<hr/> 78,588
Net Capital Assets	<hr/> \$ 155,613 <hr/>

Major capital asset events during the current fiscal year included:

- Making handicap access improvements to the hall at a cost of \$2,715.
- Installing a fence at the ball diamond at a cost of \$4,907.

Long-Term Debt. Richland Township has no obligation for any long-term debt as of March 31, 2006.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means state-shared revenues are expected to remain the same in 2006-07.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Richland Township at 9601 E. McIntyre, McBain, Michigan 49657.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 336,135
Taxes Receivable	6,209
Due from Other Governments	<u>23,800</u>
Total Current Assets	<u>366,144</u>
 <u>CAPITAL ASSETS</u>	
Land	12,720
Land Improvements	27,641
Buildings	54,653
Building Improvements	10,388
Infrastructure	122,299
Equipment	<u>6,500</u>
	234,201
Less Accumulated Depreciation	<u>78,588</u>
Net Capital Assets	<u>155,613</u>
 TOTAL ASSETS	 <u>521,757</u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	12,749
Payroll Taxes and Withholdings	<u>1,172</u>
Total Current Liabilities	<u>13,921</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	155,613
Restricted for Road Improvements	30,193
Restricted for Telecommunications Right-of-Way Maintenance	2,250
Unrestricted	<u>319,780</u>
TOTAL NET ASSETS	<u>\$ 507,836</u>

The accompanying notes are an integral part of the financial statements.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

					NET (EXPENSES)
					REVENUES
					AND CHANGE
					IN NET ASSETS
					TOTAL
					GOVERNMENTAL
					ACTIVITIES
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 7,358	\$ 0	\$ 0	\$ 0	\$ (7,358)
General Government	43,954	3,526	0	2,829	(37,599)
Public Safety	15,000	400	0	0	(14,600)
Public Works	11,997	0	3,363	0	(8,634)
Recreation and Cultural	6,104	0	0	0	(6,104)
Other Functions	5,623	0	0	0	(5,623)
Total Governmental Activities	\$ 90,036	\$ 3,926	\$ 3,363	\$ 2,829	(79,918)
<u>GENERAL REVENUES</u>					
Taxes					89,513
State Grants					99,683
Interest Earnings					796
Other					809
Total General Revenues					190,801
Change in Net Assets					110,883
<u>NET ASSETS</u> - Beginning of Year					396,953
<u>NET ASSETS</u> - End of Year					\$ 507,836

The accompanying notes are an integral part of the financial statements.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2006

	<u>GENERAL FUND</u>	<u>ROAD FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 308,396	\$ 27,739	\$ 336,135
Taxes Receivable	3,755	2,454	6,209
Due from Other Governments	23,800	0	23,800
Total Assets	<u>335,951</u>	<u>30,193</u>	<u>366,144</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	12,749	0	12,749
Payroll Taxes and Withholdings	1,172	0	1,172
Total Liabilities	<u>13,921</u>	<u>0</u>	<u>13,921</u>
 <u>FUND BALANCE</u>			
Reserved for:			
Road Improvements	0	30,193	30,193
Telecommunications Right-of-Way Maintenance	2,250	0	2,250
Unreserved			
Undesignated	319,780	0	319,780
Total Fund Balance	<u>322,030</u>	<u>30,193</u>	<u>352,223</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 335,951</u>	 <u>\$ 30,193</u>	 <u>\$ 366,144</u>

The accompanying notes are an integral part of the financial statements.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 352,223
--	------------

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	12,720	
Land Improvements	27,641	
Buildings	54,653	
Building Improvements	10,388	
Infrastructure	122,299	
Equipment	6,500	
Accumulated Depreciation	<u>(78,588)</u>	<u>155,613</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 507,836</u>
---------------------------------------	-------------------

The accompanying notes are an integral part of the financial statements.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 54,407	\$ 35,106	\$ 89,513
State Grants	105,876	0	105,876
Charges for Services	3,575	0	3,575
Interest and Rents	995	151	1,146
Other Revenues	809	0	809
Total Revenues	165,662	35,257	200,919
<u>EXPENDITURES</u>			
Legislative	7,358	0	7,358
General Government	48,998	0	48,998
Public Safety	15,000	0	15,000
Public Works	1,113	4,769	5,882
Recreation and Cultural	6,104	0	6,104
Other Functions	5,623	0	5,623
Total Expenditures	84,196	4,769	88,965
Net Change in Fund Balance	81,466	30,488	111,954
<u>FUND BALANCE (DEFICIT) - Beginning of Year</u>	240,564	(295)	240,269
<u>FUND BALANCE - End of Year</u>	\$ 322,030	\$ 30,193	\$ 352,223

The accompanying notes are an integral part of the financial statements.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 111,954
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(8,693)
Capital Outlay	<u>7,622</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 110,883</u></u>

The accompanying notes are an integral part of the financial statements.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	<u>\$ 0</u>
<u>LIABILITIES</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Richland Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Richland Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road improvements.

Additionally, Richland Township reports the following fund types:

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Pursuant to the Township's investment policy adopted on September 15, 1998, the Township Board authorized the Township Treasurer to invest funds as follows:

- a. In bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union meeting all criteria as a depository of public funds contained in state law;
- c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. In United States government or federal agency obligation repurchase agreements;
- e. In bankers' acceptances of United States banks;
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S. C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
- (i) The purchase of securities on a when-issued or delayed delivery basis. (ii). The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned. (iii) The limited ability to borrow and pledge a like portion of the portfolios assets for temporary or emergency purposes.
- h. In obligations permitted by PA 20 of 1943, as amended by PA 196, if purchased through an interlocal agreement under the Urban Cooperation Act of 1967;
- i. In investment pools organized under the Surplus Funds Investment Pool Act, PA 367 of 1982 or,
- j. In investment pools organized under the Local Government Investment Pool Act, PA 121 of 1985.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Richland Township totaled \$36,234,568, on which ad valorem taxes levied consisted of 1.4823 mills for Richland Township operating purposes and 0.9689 mills for road improvements. The levies raised \$53,711 for operating purposes and \$35,106 for road improvements.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Land improvements	20
Infrastructure	20
Equipment and Furniture	5-10

Richland Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township began to capitalize and depreciate infrastructure April 1, 2004, in accordance with the Township's capitalization policy.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 17, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS

A. *Deposits and Investments*

The Township's deposits are all on deposit with Chemical Bank West in Lake City, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$210,411 of the government's bank balance of \$374,582 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	General	Road	Total
Taxes	\$ 3,755	\$ 2,454	\$ 6,209
Due from Other Governments	23,800	0	23,800
Total	<u>\$ 27,555</u>	<u>\$ 2,454</u>	<u>\$ 30,009</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 12,720	\$ 0	\$ 0	\$ 12,720
Capital assets, being depreciated				0
Land Improvements	22,734	4,907	0	27,641
Buildings	54,653	0	0	54,653
Building Improvements	7,673	2,715	0	10,388
Infrastructure	122,299	0	0	122,299
Equipment	6,500	0	0	6,500
Total capital assets, being depreciated	213,859	7,622	0	221,481
Less accumulated depreciation for:				
Land Improvements	18,136	1,362	0	19,498
Buildings	48,251	253	0	48,504
Building Improvements	864	463	0	1,327
Infrastructure	1,019	6,115	0	7,134
Equipment	1,625	500	0	2,125
Total accumulated depreciation	69,895	8,693	0	78,588
Total capital assets, being depreciated, net	143,964	(1,071)	0	142,893
Governmental activities capital assets, net	\$156,684	\$ (1,071)	\$ 0	\$155,613

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 2,578
Public Works	6,115
	<u>\$ 8,693</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund	\$ 0	\$ 3,363
Special Revenue Fund		
Road Fund	3,363	0
	<u>\$ 3,363</u>	<u>\$ 3,363</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The Township did not have any interfund transfers at March 31, 2006.

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

FUND BALANCE/NET ASSETS

Reserved

General Fund

Telecommunications Right-of-Way Maintenance \$ 2,250

Special Revenue Funds

Road Fund

Road Improvements \$ 30,193

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Joint Fire District

The Township is a member of the McBain Community Fire Department. The Fire Department is a joint venture of Richland Township, Riverside Township and the City of McBain. The Township's assessment for support of the Fire Department for 2005-2006 was \$12,500. Also, on October 1, 2005, the Township paid an additional assessment of \$2,500 to cover Fire Department building rent.

The City of McBain, as the headquarters unit, maintains the financial records of the Fire Department. The following financial information was taken from the City of McBain's comprehensive annual financial report dated April 30, 2005.

McBain Community Fire Department

Total Assets	\$ (347)
Total Liabilities	6,717
Fund Balance - Unreserved	(7,064)
Total Revenues	231,081
Total Expenditures	515,321
Other Financing Sources	283,815
Change in Fund Balance	(425)

A copy of the City of McBain's audited financial statements may be obtained upon request from the City's treasurer.

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND			ROAD FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 51,900	\$ 51,900	\$ 54,407	\$ 35,000	\$ 35,000	\$ 35,106
State Grants	99,997	99,997	105,876	0	0	0
Charges for Services	1,400	1,400	3,575	0	0	0
Interest and Rents	650	650	995	150	150	151
Other Revenues	100	100	809	0	0	0
Total Revenues	154,047	154,047	165,662	35,150	35,150	35,257
<u>EXPENDITURES</u>						
Legislative						
Township Board	5,883	5,883	7,358	0	0	0
General Government						
Supervisor	4,171	4,171	3,895	0	0	0
Elections	1,000	1,000	53	0	0	0
Assessor	16,600	16,600	15,284	0	0	0
Clerk	8,652	8,652	7,117	0	0	0
Board of Review	650	650	483	0	0	0
Treasurer	14,752	14,752	12,159	0	0	0
Building and Grounds	11,500	11,500	4,608	0	0	0
Cemetery	9,500	9,500	5,399	0	0	0
Public Safety	14,000	14,000	15,000	0	0	0
Public Works	246,300	246,300	1,113	68,790	68,790	4,769
Public Improvement	25,000	25,000	0	0	0	0
Recreation	16,000	16,000	6,104	0	0	0
Other Functions	7,551	7,551	5,623	0	0	0
Total Expenditures	329,851	329,851	84,196	68,790	68,790	4,769
Net Change in Fund Balance	(175,804)	(175,804)	81,466	(33,640)	(33,640)	30,488
<u>FUND BALANCE (DEFICIT) - Beginning of Year</u>	227,512	227,512	240,564	33,640	33,640	(295)
<u>FUND BALANCE - End of Year</u>	\$ 51,708	\$ 51,708	\$ 322,030	\$ 0	\$ 0	\$ 30,193

RICHLAND TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

STATEMENT OF 2005 TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$	268,896	
County - State Education Tax		217,710	
Township			
Operating		53,711	
Roads		35,106	
Schools			
McBain Rural Agricultural School		295,919	
Intermediate			
Wexford-Missaukee		<u>216,024</u>	\$ 1,087,366

TAXES COLLECTED

County	\$	251,134	
County - State Education Tax		206,281	
Township			
Operating		49,956	
Roads		32,652	
Schools			
McBain Rural Agricultural School		277,039	
Intermediate			
Wexford-Missaukee		<u>200,923</u>	<u>1,017,985</u>

TAXES RETURNED DELINQUENT

County	\$	17,762	
County - State Education Tax		11,429	
Township			
Operating		3,755	
Roads		2,454	
Schools			
McBain Rural Agricultural School		18,880	
Intermediate Schools			
Wexford-Missaukee		<u>15,101</u>	<u>\$ 69,381</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 19, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Richland Township
Missaukee County
McBain, Michigan

During the course of our audit of the basic financial statements of Richland Township for the year ended March 31, 2006, we noted the following items which deserve comment:

Budgeting

The Township is doing a good job of complying with Act 621 of the Public Acts of 1978, The Uniform Budgeting and Accounting Act. The only two instances of expenditures exceeding appropriations were in the Legislative function and Public Safety. In these cases, the budget should have been amended to allow for excess expenditures.

General Recordkeeping

The accounting records being maintained for the year ended March 31, 2006, were found to be in good order and in compliance with the State's uniform accounting system. We commend the clerk and treasurer for their fine effort.

Property Tax Administration Fee

As reported in the Notes to Financial Statements, the Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

Bank Reconciliations

In the course of our audit we did not find evidence that regular bank reconciliations are being performed. We recommend that some sort of documentation be retained with the bank statements to show a reconciliation of the bank cash balance to the book cash balance. Further, we recommend that this be done on a monthly basis.

Metro Act

We observed that revenues from the Telecommunication Right-of-Way Act ("Metro Act") are being receipted in the General Fund and that there are expenditures for street lighting in the General Fund. Street lighting is a permissible use of Metro Act revenues. However, there are not enough street lighting expenses to use up the Metro Act revenues so the balance is reserved in the General Fund. In the Road Fund there are enough expenditures for brining and seal coating, which are also permissible uses, to use up the balance of the Metro Act revenues. We recommend that the Township transfer any remaining balance of Metro Act revenues after street lighting expenditures from the General Fund to the Road Fund. This would use up the remaining balance of Metro Act revenues so there would be no reserved balance.

Internal Control

Approval of bills to be paid was not noted in the meeting minutes of the Township Board. Also, approval for payment was not observed on the bills that were paid. We recommend that the Township Board review and approve the bills to be paid at each meeting. Board approval should be noted in the meeting minutes. Also, as a method of strengthening internal controls we recommend that a responsible Township official sign each of the bills the board has approved for payment.

Cash

To increase the amount of interest earned on the Township's surplus cash we recommend that the Township consider consulting with their bank in regards to investment of surplus funds.

Credit Card Policy

We noted that the Township uses an Office Max charge card. State law requires that the board adopt an official policy governing use and control of a credit card. In regards to the Township's credit card, we recommend that as a method of strengthening internal control that the board review each purchase. A sample policy is available on the Michigan Township Association website.

GASB 34

The Government Accounting Standards Board has issued Statement #34. We have assisted the Township with complying with the GASB 34 requirements of the State of Michigan and GASB. The financial statements are quite different as a result of this drastic change. We recommend the board review the new financial statements, and we are available to help explain the changes in detail, if needed.

We would like to thank the board for its continued confidence in our firm and thank the township clerk and treasurer for their courtesy and cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 19, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Richland Township
Missaukee County
McBain, Michigan

In planning and performing our audit of the basic financial statements of Richland Township, Missaukee County, McBain, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.